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C O N F I D E N T I A L SECTION 01 OF 02 SHANGHAI 000020

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E.O. 12958: DECL: 1/16/2033
TAGS: [PGOV](#) [KJUS](#) [SOCI](#) [ETRD](#) [KPAO](#) [CH](#)
SUBJECT: TRANSPARENCY INTERNATIONAL/USA PRESIDENT BOSWELL'S LUNCH
WITH SHANGHAI CONTACTS

REF: A) Shanghai 18; B) Shanghai 19

CLASSIFIED BY: Kenneth Jarrett, Consul General, U.S. Consulate
General, Shanghai, China, Department of State.
REASON: 1.4 (b), (d)

11. (C) Summary: During a January 15 lunch, Transparency International/USA President and CEO Nancy Boswell engaged representatives of the Shanghai Municipal People's Congress (SMPC) and an academic specializing in NGO development on ways of improving transparency in the budget process, organizing public hearings, and protecting journalists. Interlocutors complained that there are no clear guidelines on how government budgets are administered and leaders have great "flexibility" in allocating funds. There are also no clear guidelines on the protection of journalists and the government continues to control the media. Our guests downplayed government initiatives at holding public hearings, saying the results are usually pre-cooked and the hearings aren't well attended. They all welcomed further communication and cooperation from Transparency International on these issues. End Summary.

12. (U) Consul General hosted a lunch in honor of Transparency International/USA and CEO President Nancy Boswell on January 15. At the lunch were Shanghai Municipal People's Congress (SMPC) Legislative Research Laboratory Secretary General Liu Xiaoming, SMPC Training Committee Researcher Zhou Meiyan, and Jiaotong University School of International and Public Affairs Dean Hu Wei. Poloff and Cultural Affairs Officer also attended the lunch. Ms. Boswell was in Shanghai as a Public Affairs Section-supported Voluntary Speaker, following her participation in a Yale-in-China legal conference at Beijing University.

Government Budgets

13. (C) Zhou noted the recent passage of the China Open Government Information Act (OGIA) and said that although the law has yet to take effect, it should lead to some positive changes. Last year a Shanghai citizen sued the government under the Shanghai Municipal Open Government Information regulations. Such cases are very important in fighting corruption and she

hoped that the national level OGIA will lead to even more cases.

¶4. (C) Zhou said one focus of the Shanghai MPC is to increase transparency in the local government's budget process. Currently, it is very difficult to get clear information on Shanghai's budget. Only one district, Xuhui district, openly provides detailed information on its budget. Shanghai MPC delegates are supposed to monitor the budget, but this is an impossible task. First, delegates meet only a few days each year. Second, only a small amount of the 800 Shanghai MPC delegates have any understanding of accounting and budget issues. There are two committees (the Standing Committee and the Finance Committee) that meet regularly during the year. But, it is too difficult for these committees to fully monitor the budget given limited staffing.

¶5. (C) Jiaotong Professor Hu Wei added that the real problem is that there are no clear guidelines and regulations on how to develop and administer a budget in China. Leaders have "great flexibility" on how to allocate funds. While there might be debates about how to spend 50,000 RMB, a head of an institution can easily allocate 1 million RMB without discussing the issue with anyone. Hu, Zhou and Liu urged that Transparency International provide more assistance in this area. Liu noted it would be particularly helpful if Transparency International could provide information on how other countries administer their budgets. Boswell noted that international organizations such as the IMF and World Bank have best practices on budgets. In addition, the IMF has the responsibility to work with governments on budget issues. She agreed to raise the issue with the IMF when she meets with them in the near future.

Public Hearings

¶6. (C) Zhou and Hu downplayed the effectiveness of Shanghai Municipal Government-organized public hearings on increasing

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transparency. According to Hu, there are no clear guidelines on when or how hearings should be conducted and recent hearings have experienced many problems. First, the government rarely holds hearings on major infrastructure projects such as the extension of the Maglev in Shanghai. (See reftels A and B for more information on the Maglev controversy.) Rather when hearings occur, they tend to be on proposal that affect people such as public transportation issues. Second, hearing organizers often hand-pick participants for the hearing, allowing them to control the outcome. The organizers are also a direct party to the hearing subject, which presents a clear conflict of interest. This leads to a situation where hearing organizers are just listening to themselves and not getting different opinions. Zhou added that it is not clear where opinions collected at hearings go. She urged that the government publish results of the hearings.

¶7. (C) Liu, who helps organize hearings for the Shanghai MPC, assured Boswell that the Shanghai government had good intentions. The government really wants to hear a variety of voices. However, based on her experience only a limited number of people are interested in attending hearings. These people are usually retired and not representative of the general population. In addition, most ordinary citizens are only interested in topics that affect their daily lives and do not want to attend hearings on every issue. Hu countered that most ordinary citizens feel no real connection to the law. It is important to build this connection to increase public participation.

The Media's Role

¶8. (C) Our guests all agreed that the media played an important role in fighting corruption. Liu said, however, there are no

clear provisions in Chinese law protecting journalists. Zhou noted that there are few independent voices in the media and observed that the media is completely controlled by the Chinese government. The Chinese Government still has reservations about freedom of the press because the media plays such a major role in shaping popular opinion. Chinese people generally believe everything that is reported in the media, even if the information is false.

¶9. (C) Zhou said she gets much of her information from the Internet. She uses proxy servers to get around government restrictions. However, these proxies are only effective for a few days and some for a few hours. There are "Internet police" monitoring how people use the computers and they are actively bringing down sites. She believed that the USG should restrict the sale of computer software to China that help the government monitor the Internet.

Social Responsibility Is For Everyone

¶10. (C) Zhou, Hu, and Liu supported more discussions about Corporate Social Responsibility (CSR). Hu said that since the Chinese Government has a "long arm" in society, it bears some responsibility to promote CSR. Liu added that government departments also have social responsibilities and should be active in this area. She suggested government authorities find ways to promote social responsibility in connection with the 2010 Shanghai World Expo, which will attract 70 million visitors.

JARRETT